Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of	)	
	)	
Federal-State Joint Board on Universal Service	)	CC Docket No. 96-45
	)	
1998 Biennial Regulatory Review – Streamlined Contributor Reporting Requirements	)	CC Docket No. 98-171
	)	
Telecommunications Services for Individuals with Hearing and Speech Disabilities	)	CC Docket No. 90-571
	)	
Administration of the North American Numbering Plan	)	CC Docket No. 92-237
	)	
Number Resource Optimization	)	CC Docket No. 99-200
	)	
Telephone Number Portability	)	CC Docket No. 99-200
	)	
Truth-in-Billing and Billing Format	)	CC Docket No. 98-170

COMMENTS OF WESTERN WIRELESS CORPORATION

Western Wireless Corporation ("Western Wireless") hereby submits these initial Comments on the Commission's Further Notice of Proposed Rulemaking ("FNPRM") in this above-captioned proceeding in which the Commission seeks comment on, among other things, a proposal to reform the federal universal service system by assessing contributions based on the number of connections to the public network. Western Wireless urges the Commission to retain the current methodology upon which carriers remit federal universal service payments. This methodology, which assesses carriers' contributions based upon a carrier's interstate retail revenue, is the most fair, reliable, and legally defensible system to fund and preserve the federal universal service support mechanisms. In these Comments, Western Wireless explains why the current system for assessing carriers' contributions to the federal universal service system should be retained with some minor revisions.

I. BACKGROUND

Western Wireless is uniquely situated as a competitive cellular service provider and a new entrant in the universal service market. The Company has been designated as an Eligible Telecommunications Carrier ("ETC") in 12 states, plus the Pine Ridge Indian Reservation, and is currently providing universal service to thousands of consumers in five states. The federal universal service contribution mechanism has a direct impact on Western Wireless' customers – both its competitive cellular service customers and its universal service customers. Under today's revenue-based universal service contribution mechanism, customers who have higher service fees pay a higher universal service fee. However, as explained herein, under the proposed connection-based universal service contribution mechanism, all customers would pay the same universal service fee, regardless of the revenue generated from these customers, resulting in unintended negative consequences.

II. THE COMMISSION SHOULD RETAIN THE CURRENT REVENUE-BASED UNIVERSAL SERVICE CONTRIBUTION SYSTEM BUT MAKE SOME MINOR REVISIONS

Today, there is consistency between federal and state universal service contributions mechanisms, where carriers contribute to federal universal service funds based upon interstate revenue and contribute to state universal service funds based largely upon intrastate revenue. Although the current system is not perfect, it is fair because contributions are based upon carrier revenue derived from customers. As revenues increase, carrier contributions increase. As revenues decrease, carrier contributions decrease. Instead of tossing aside the current methodology upon which contributions are assessed by the FCC and all state commissions in favor of a per connection methodology that results in "winners" and "losers," Western Wireless believes that carriers should continue to remit payments based upon retail revenues.

Concerns have been raised that a universal service contribution system based upon current carrier revenues runs significant risk of a funding shortfall and that contribution factors are established without knowing total carrier revenue.[1] While these concerns may be legitimate, the answer is not to discard a revenue-based system that has been successfully used at the federal and state levels. Instead, the Commission should fine-tune the current system to resolve any implementation issues. In states where assessments are based upon current revenues, there have been no budget shortfalls, even though contingency reserve funds have been established. In fact, some states have even *lowered* assessment rates in prospective funding years as a result of collecting "too much" revenue from carriers in order to fund universal service programs.[2]

Under the current system, carriers must remit contributions based on historical revenues with a six-month interval between revenue accrual and the assessment of contributions. This process is patently unfair to companies with declining revenues that are assessed universal service contributions based upon their higher historical revenues, whereas companies with rising revenues are assessed universal service fees based upon their lower historical revenues. In order to remedy the unfairness of this system, Western

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[1] See Reply Comments of the Universal Service Administrative Company CC Docket Nos. 96-45, *et al*, July 9, 2001, Page 7.

[2] See Colorado High-Cost Support Mechanism (4 C.C.R. 723-41-8), Nevada Universal Service Fund (NAC 704.680464), and Kansas Universal Service Fund, (Docket No. 02-GIMT-161-GIT), where assessments have been reduced or eliminated on a regular basis since explicit state funds have been created.

Wireless recommends that assessments should be based on current revenues or as close to current revenues as possible. This approach is utilized by state commissions with established state universal service support mechanisms. In Texas, for example, carriers have until the 25th day of the following month to report all taxable revenues from the previous month. In Kansas, carriers have until the 15th day of the following month to report all taxable revenues from the prior month. In both cases, Western Wireless remits payments to the respective NECA universal service fund administrator (both states have contracted with NECA to administer their respective universal service funds). Because revenue reporting is current, the fairness issue discussed above is no longer a concern.

A connection-based universal service assessment mechanism would also have a disparate impact on certain consumers. For example, requiring a flat-fee connection charge of $1.00 per customer discriminates against customers on lower monthly rate plans. For example, Western Wireless currently provides universal service to Native Americans residing on the Pine Ridge reservation under a $1.00 rate plan. A universal service assessment of $1.00 on all customers would double the monthly charges of these Native Americans and defeat, in part, the policy reasons for establishing these low universal service plans. Less severe, but equally discriminatory, would be the assessment of a $1.00 universal service contribution on Low-Income consumers, or consumers who are on limited fixed incomes. Under a connection-based contribution system, consumers who spend more on telecommunications services (*e.g.,* $100.00 rate plans) would pay the same universal service assessment as consumers who spend less on telecommunications service (*e.g.,* $1.00 rate plans). This inequity does not occur when assessments are based on interstate revenues.

Since the Commission allows carriers to pass through their assessments to consumers, it is the consumer who ultimately bears the inequity of a connection-based system.

III. CONCLUSION

For the reasons discussed herein, the Commission should retain a revenue-based universal service contribution mechanism with the changes identified in these Comments.

Respectfully submitted,

Western Wireless Corporation

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